



STATE OF MAINE
DEPARTMENT OF ENVIRONMENTAL PROTECTION
STATE HOUSE STATION 17 AUGUSTA, MAINE 04333

DEPARTMENT ORDER
IN THE MATTER OF:

CMP BUCKSPORT LLC'S)	
ACQUISITION OF)	
INTERNATIONAL PAPER COMPANY'S)	LICENSE TRANSFERS
BUCKSPORT PULP & PAPER MILL)	(AIR, SITE LOCATION;
(# A-22-70-B-T))	SOLID WASTE; WASTEWATER)
(*CORRECTED ORDER))	

Pursuant to Maine law, 38 M.R.S.A. §§ 413 et seq., 481 et seq., 581 et seq., and 1301 et seq.; Maine Department of Environmental Protection (DEP) regulations promulgated pursuant to these laws; and the *Rules Concerning the Processing of Applications and Other Administrative Matters*, 06-096 CMR 2, DEP has considered the application of CMP Bucksport LLC (CMP Bucksport) and International Paper Company (IP) with its supportive data, agency review comments, and other related materials on file and FINDS THE FOLLOWING FACTS:

1. APPLICATION SUMMARY

A. Application. DEP accepted an application as complete for processing on June 20, 2006, that sought to transfer to CMP Bucksport all active *licenses*, as defined in 06-096 CMR 2.1(K), any modifications, condition compliance orders, all other approvals, and all applications pending in the name of IP relating to a Pulp & Papermaking Mill in Bucksport, Maine (hereinafter referred to as the *Bucksport Mill*). A schedule of permits and applications that were the subject of that application, and this Department Order, is set forth in Appendix A.

B. History.

- 1) The Transaction.** On June 4, 2006, IP and CMP Holdings LLC, a Delaware corporation, entered into a Purchase Agreement, under the terms of which CMP Holdings will acquire, IP's Magazine and Coated Papers business, comprised of four pulp and paper mills, including the Bucksport Mill, and certain related assets that are used in the conduct of that business and other assets. These assets include the pulp and paper mill at Jay, Maine, the licenses for which are the subject of a separate order. CMP Holdings LLC structured the acquisition so that its wholly-owned subsidiary, CMP Bucksport, will take title to and operate the Bucksport Mill and its assets. Upon closing, CMP Bucksport will own the Bucksport Mill operations and its various related assets. The parties anticipate that the closing will occur on July 31, 2006.
- 2) Operations.** The Bucksport Mill is an integrated pulp and paper mill located adjacent to the Penobscot River in Bucksport, Maine. The Bucksport Mill employs approximately 800 people. The Bucksport Mill produces an average of approximately 600 tons of pulp paper per day and 1,400 tons of coated paper per day.

Operations at the Bucksport Mill have been and will continue to be conducted as an integrated whole with the three other pulp and paper mills of the Magazine and Coated Papers business. At the time of application, the applicant planned to maintain these operations as currently licensed.

Licensed air emissions originating at the Bucksport Mill result primarily from the industrial boilers, the natural gas turbine, and the pulp and papermaking process.

Licensed wastewater discharges originating at the Bucksport Mill result primarily from the pulp and papermaking process. The Bucksport Mill uses an on-site extended aeration wastewater treatment plant, with primary clarifier, aeration basins and secondary clarifiers to treat direct pollutant discharges to the river.

Certain solid wastes currently generated by the Bucksport Mill are licensed for disposal at the 48 acre landfill operated by the Bucksport Mill located adjacent to the Mill on property owned by the Bucksport Mill. The landfill is licensed to expand on an additional 26 acres, with construction likely to begin no earlier than 2010.

2. TRANSFER REQUIREMENTS. The following information regarding CMP Bucksport was submitted in support of the transfer application:

A. Title, Right and Interest. Excerpts from the Purchase Agreement (June 4, 2006) were submitted in support of the pending application. That material documents CMP Holdings LLC's intent to purchase assets associated with IP's Magazine and Coated Papers business, including the Bucksport Mill and appurtenant facilities, and its right to convey those interests to CMP Bucksport.

B. Financials. CMP Bucksport submitted financial information concerning the acquisition of the Bucksport Mill and the other three mills that comprise IP's Magazine and Coated Paper business. The information submitted was limited to landfill areas currently in use, thereby excluding a cost estimate for construction and operation of an expansion approved December 19, 2000, or assurance regarding closure and post closure care costs, all of which must be provided and approved prior to construction.

1) Capacity and Intent. Apollo Management VI, L.P. (Apollo) is manager of a \$10 billion fund of committed equity capital; it will be contributing to CMP Holdings up to \$261 million of its cash toward the cost of acquiring IP's Magazine and Coated Papers business, which in total is approximately a \$1.4 Billion acquisition; the balance of this transaction is financed. Upon closing CMP Bucksport's acquisition of the Bucksport Mill, its parent, CMP Holdings will have a revolving credit facility of \$200 million which it intends to have available to the Bucksport Mill and the other three mills being acquired to meet operating expenses and to provide working capital. This line of credit is in addition to the income generated by operations of the Bucksport Mill and the other three mills being acquired which were sufficient to meet operating expenses and generate \$60.2 million of net operating income.

2) Landfill Assurance. Financial assurance for the costs of closure and post-closure care for the landfill will be provided by a letter of credit and standby trust. While drafts of these instruments were reviewed as part of DEP's application evaluation,

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they will be executed and issued at or before closing in an amount equal to the estimated costs of closure and post-closure care for the landfill previously submitted to the DEP by IP.

C. Technical Capacity and Intent. CMP Bucksport represented that its acquisition of the Bucksport Mill and appurtenant facilities is not expected to result in any significant change in the employees that currently operate the equipment, facilities, and other activities at the Bucksport Mill. The Bucksport Mill's regulatory history with DEP demonstrates that the environmental personnel are technically proficient in the operation of air pollution control, wastewater control, solid waste handling and disposal, and hazardous waste management systems. In addition to on-site expertise, the Bucksport Mill will also be able to call upon the experience and expertise of personnel from IP's Magazine and Coated Papers business who will be joining CMP Holdings, in ensuring compliance with all applicable licenses and applications for all four mills being acquired, including the Bucksport Mill.

D. Solid Waste Facility Disclosure. The disclosure statement provided by CMP Bucksport in accordance with the *General Provisions*, 06-096 CMR 400.12, of Maine's solid waste management rules reveals that the applicant and any other persons required to disclose have no record of any criminal violations, civil violations of environmental laws, or consent decrees that included environmental laws in the last five years. In addition, CMP Holdings LLC, the 100% equity owner of CMP Bucksport, and Apollo, and their directors and officers, have no record of any criminal or civil violations or consent decrees in the last five years.

BASED ON the findings of fact in this Order, DEP CONCLUDES:

- 1. TITLE, RIGHT OR INTEREST.** While an acquisition is contemplated by the Purchase Agreement, CMP Bucksport must submit documents demonstrating consummation of the transaction, likely in the form of a deed, such that title, right or interest is clear. Unless and until the sale is consummated and the conditions of this Order are complied with, title, right and interest in the Bucksport Mill remains with IP.
- 2. FINANCIAL CAPACITY & INTENT.** The past profitability of this group of mills, line of credit available to the group, and draft landfill assurance mechanisms reviewed demonstrate the financial capacity and intent to comply with the conditions of all DEP licenses, permits, approvals, permits-by-rule, registrations, variances, certifications and amendments thereto, condition compliance orders and pending applications associated with the facilities described in this Order's findings, including specifically those licenses and applications listed in Appendix A, and to satisfy all applicable statutory and regulatory criteria, provided that executed copies of the landfill assurance mechanisms are submitted once final. This conclusion does not apply to financial requirements associated with landfill expansion since those issues will be evaluated at the time construction is proposed, which is likely no earlier than 2010. Unless and until the sale is consummated and the conditions of this Order are complied with, financial responsibility for the Bucksport Mill remains with IP.

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3. **TECHNICAL CAPACITY & INTENT.** The core group of employees currently operating the facility and CMP Bucksport's expectation that they will remain demonstrates the technical capacity and intent to comply with the conditions of all DEP licenses, permits, approvals, permits-by-rule, registrations, variances, certifications and amendments thereto, condition compliance orders and pending applications associated with the facilities described in this Order's findings, including specifically those licenses and applications listed in Appendix A, and to satisfy all applicable statutory and regulatory criteria. A lack of enforcement history with this applicant and the other individuals and entities disclosing their civil and criminal record further support this conclusion. Unless and until the sale is consummated and the conditions of this Order are complied with, technical responsibility for the Bucksport Mill remains with IP.
4. **POLLUTION.** CMP Bucksport's plans to maintain operations as currently licensed, in combination with the known technical staff expected to remain at the facility and financial capacity demonstrated, should protect waters of the State and ambient air, prevent hazards to health or welfare, or nuisance creation, and not result in pollutant release increases.

THEREFORE DEP APPROVES the application of CMP Bucksport SUBJECT TO THE FOLLOWING CONDITIONS and all applicable standards and regulations:

1. **STANDARD CONDITIONS.** The Standard Conditions associated with all approvals that are the subject of this Order apply hereto.
2. **TITLE, RIGHT & INTEREST.** Immediately upon consummation of the transaction described in Finding of Fact 1(B) of this Order, CMP Bucksport shall provide signed documentation demonstrating completion of the transaction in order to satisfy the title, right or interest requirements described in Finding of Fact 2(A) and Conclusion 1 of this Order. This transfer of IP's licenses and applications for the Bucksport Mill shall not become effective unless and until this condition is satisfied.
3. **EXISTING LANDFILL FINANCIAL ASSURANCE.** Immediately upon consummation of the transaction described in Finding of Fact 1(B) of this Order, CMP Bucksport shall provide signed documentation of the executed Letter of Credit and Standby Trust in the form as commented on and approved by DEP in order to satisfy the financial assurance requirements described in Finding of Fact 2(B) and Conclusion 2 of this Order. This transfer of IP's licenses and applications for the Bucksport Mill shall not become effective unless and until this condition is satisfied.
4. **LANDFILL EXPANSION FINANCIAL CAPACITY.** CMP Bucksport shall provide DEP, for its review and approval prior to commencing construction of the licensed landfill expansion, information demonstrating its ability to meet the applicable financial capacity requirements in Maine's solid waste management rules.

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5. **LANDFILL EXPANSION FINANCIAL ASSURANCE.** CMP Bucksport shall provide DEP, for its review and approval prior to commencing construction of the licensed landfill expansion, information demonstrating its ability to meet the applicable financial assurance requirements in Maine's solid waste management rules for closure and post-closure care of the expansion.
6. **EFFECT ON EXISTING ORDERS.** Unless specifically superseding a provision, nothing in this Order shall be construed to affect the findings, conclusions and conditions contained in the Orders listed in Appendix A.
7. **SEVERABILITY.** The invalidity or unenforceability of any provision, or part thereof, of this License shall not affect the remainder of the provision or any other provisions. This License shall be construed and enforced in all respects as if such invalid or unenforceable provision or part thereof had been omitted.

DONE AND DATED AT AUGUSTA, MAINE THIS 4th DAY OF ^{September} ~~July~~, 2006.
CORRECTING THE ORDER DATED July 12, 2006. The effective and expiration dates remain the same as in the original order.

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By: 

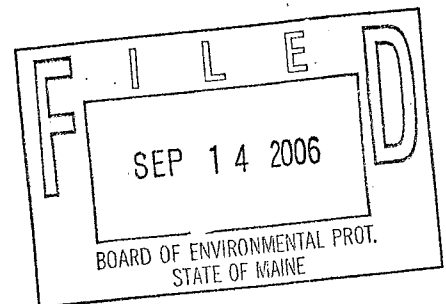
David Littell, Commissioner

PLEASE NOTE ATTACHED SHEET FOR GUIDANCE ON APPEAL PROCEDURES

Date of initial receipt of application 06/12/06.

Date application accepted for processing 06/20/06.

Date filed with the Board of Environmental Protection _____.



APPENDIX A:

LICENSES, APPLICATIONS AND TAX CERTIFICATIONS TRANSFERRED

AIR QUALITY ORDERS		
NUMBER	DESCRIPTION	APPROVED
AIR EMISSIONS LICENSES:		
A-22-70-A-I	Initial Part 70 Air Emission License Application (Title V)	12/30/2004
TAX EXEMPTION CERTIFICATIONS:		
A-22-75-G-N	Ash Conditioning And Handling Facility	2/10/1994
A-22-75-M-X	Tax Cert Clay Slurry Baghouse Secondary Filter System	3/23/1998
A-22-75-M-X	Tax Cert #5 Boiler Low NOx Burners	3/23/1998
NONE	Tax Cert Air Pollution Control Equipment For #8 Boiler	7/7/1984

WATER QUALITY ORDERS		
NUMBER	DESCRIPTION	APPROVED
WATER DISCHARGE LICENSES:		
W-000598-5N-H-R [ME 0002160]	18.0 Mgd Industrial Process Water - Renewal	11/2/2004
TAX EXEMPTION CERTIFICATIONS:		
W-7835-64-A-N	Tax Cert Mcc For WWTP	3/31/1994
W-7836-64-A-N	Tax Cert Liner/Leachate Collection System For Ash Landfill Area	3/31/1994
W-8020-63-A-N	Property Sales and Use Tax	3/31/1998
W-8008-63-A-N	Tax Cert Coating Prep Tank Farm Containment	3/31/1998
W-8022-63-A-N	Tax Cert Landfill Leachate Pond Upgrade	3/31/1998
W-8023-63-A-N	Steam Plant Acid/Caustic Containment	3/31/1998
W-8024-63-A-N	WWTP Upgrade #3	3/31/1998
W-8025-63-A-N	Feltwash And Defoamer Containment	3/31/1998
W-8026-63-A-N	LANDFILL FINAL COVER	3/31/1998
W-8027-63-A-N	Structural Stormwater Controls, Stock Prep Chemical Unloading	3/31/1998
W-8028-63-A-N	WWTP Chemical Unloading	3/31/1998

SOLID WASTE ORDERS		
NUMBER	DESCRIPTION	APPROVED
SOLID WASTE LICENSES:		
26-1415-09070	Extension Of Deadline For Leachate Control Plans	8/16/1975
26-1415-09070	CC 2o, 2f, 2e Of 9/25/74 Order	6/9/1976
26-7713-09070	Landfill Expansion License (And No. 8 Boiler) [Aka S-7713-Wd-Zz]	2/24/1982
*26-7713-09070	Condition Compliance: Solid Waste Disposal Site, Condition 4A	5/13/1982

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NUMBER	DESCRIPTION	APPROVED
S-7713-WD-AA-M	Minor Revision For Variance From Intermediate And Operational Final Cover	9/14/1998
S-7713-WD-AB-M	Minor Revision, Cell I Closure	7/16/1998
S-7713-WD-AC-M	Minor Revision, Final Cover Of Cell Ii West	5/27/1999
S-7713-WD-AD-N	Landfill Expansion License	12/19/2000
S-7713-WD-AE-M	Minor Revision, Passive Gas Collection And Flare	8/6/1999
S-7713-WD-B-M	CC 8b, 8c For 2/24/82 Order (Landfill Constr. Qc)	7/21/1986
S-7713-WD-D-M	CC 11e Of 2/24/82 Order (Landfill Operations Manual)	7/15/1986
S-7713-WD-F-M	Minor Revision To Phase I Ash Cell For Underdrain Construction	7/22/1986
S-7713-WD-G-M	Minor Revision To Landfill Monitoring	7/23/1986
S-7713-WD-K-A	Allows Construction Of Site Improvement And Stream Alteration	9/2/1987
S-7713-WD-M-M	Minor Revision To Conditions 8a, 8b, 8d Of 2/24/82 Order	8/31/1989
S-7713-WD-O-C	CC 8a, 8b, 8e, 8g, 8h Of 2/24/82 Order And 8c Of This Order	8/31/1989
S-7713-WD-P-C	CC 8a, 8b, 8d of 7713-Wd-M-M	7/19/1990
S-7713-WD-Q-M	Minor Revision Tdf Storage And Ash Disposal	11/14/1990
S-7713-WD-S-R	Landfill License Renewal	2/25/1997
S-7713-WD-V-C	Compliance With Condition #3, Gas Venting Details	7/31/1997
S-7713-WD-X-C	Compliance With Condition #4, Long Term Development Plan	9/11/1998
S-7713-WQ-U-N	Preliminary Information Report For Landfill Expansion	6/6/1997
S-7713-WS-AG-N	One-Time Special Waste Disposal (Char And Fire Extinguisher Residue)	2/1/2000
S-7713-WS-AH-N	One-Time Special Waste Disposal (Propylene Glycol Contaminated Soil & Sawdust)	12/18/2000
S-7713-WS-W-N	One-Time Special Waste Disposal (Dried Detac)	8/28/1997
S-7713-WT-N-N	Ongoing Special Waste Disposal :Grinder Stones	5/5/1994
S-7713-WT-Y-N	One-Time Special Waste Disposal (Dredge Spoils)	9/29/1997
S-7713-WU-AF-N	Ongoing Special Waste Disposal (Nonhazardous Solidified Polymer)	10/1/1999
S-7713-WU-Z-N	Ongoing Disposal Of Special Waste (Activated Alumina Dessicant)	9/23/1997
S-7713-WY-C-N	Variance To 300' Law For Landfill Location Near Smelt Brook	5/8/1985
S-7713-WD-AI-M	Minor Revision/Cell Ii Final Cover	5/3/2001
S-7713-WD-AJ-C	Compliance With Condition #17	7/16/2001
S-7713-WD-AK-M	Cell Ii Closure Minor Revision	11/15/2001
S-7713-WD-AL-M	Mr Closure Of Cell Ii North Area & Cell Iii South Slope	8/14/2002
S-7713-WD-AM-M	Minor Revision For Conditions #6 & #7 Of Landfill Expansion Permit	9/2/2004
S-7713-WD-AN-M	Standard Condition #5 Of Landfill Expansion Permit #S-7713-Wd-Ad-N	4/29/2003
S-7713-WD-AO-M	Mr Cell Development Plan & Gas Collection System	8/13/2003
S-7713-WD-AQ-M	Mr To Install New Lechate Transport Line	11/18/2003
S-22084-WR-A-N	Transfer From Champion International	2/12/2001

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LAND DEVELOPMENT ORDERS		
NUMBER	DESCRIPTION	APPROVED
LAND DEVELOPMENT LICENSES:		
26-1415-09070	*New License: Papermaking Facilities And Landfill Expansion	9/25/1974
26-1415-09070	*Amendment: Secondary Waste Water Treatment Facilities	11/20/1974
26-1415-09070	*Amendment: New Paper Making Machine ands Related Facilities	2/12/1975
*26-1415-09070	Amendment: New Paper Making Machine and Related Facilities	8/6/1975
*26-1415-09070	Condition Removal: New Paper Making Machine and Related Facilities, Conditions 2-e and 2-o	5/12/1976
*26-1415-09070	Condition Removal: New Paper Making Machine and Related Facilities, Conditions 2(e), 2(f), and 2(o)	6/9/1976
26-7713-09070	Site & Solid Waste Order--Landfill Expansion, No. 8 Boiler & New Structures	2/24/1982
*L-19891-TG-C-R	Modification/Extension Request: Landfill Expansion (Corrected)	8/16/2006
*L-7713-24/03-H-A	Amendment: Bucksport Mill Cogeneration Project	4/21/1987
*L-7713-20-I-A	Amendment: Paper Machine Improvements	7/22/1987
*L-7713-20-I-A	Amendment: Paper Machine Improvements (Corrected)	7/22/1987
*L-007713-24/03-I-M	Minor Revision: Cogeneration Project	5/26/1987
*L-7713-24-J-A	Amendment: Fitness Center	6/26/1987
*L-7713-24/03-K-A	Amendment: Site and Stream Alteration	9/10/1987
*L-7713-29-L-A	Parking Lot Expansion	12/6/1988
*L-7713-21-M-A	Amendment: Wood Handling & Storage Facility	9/8/1995
*L-7713-21-N-C	Condition Compliance: Wood Storage and Ash Handling Facility, Special Condition #3	8/30/1996
*L-7713-21-O-M	Modification: Slasher Saws	8/30/1996
*L-7713-20-P-A	Amendment: Paper Mill, Woodyard Modernization	3/21/1997
*L-7713-20-Q-A	Amendment: Bucksport Energy Project	8/7/1998
*L-7713-20-Q-A; L-7713-20-V-C	Condition Compliance: Special Condition #5 of Department Order L-7713-20-Q-A, Condition Compliance L-7713-20-V-C	6/20/2000
*L-7713-20-R-M	Modification: Paper Mill sedimentation Pond	5/28/1998
L-7713-20-S-R	Renewal of L-7713-21-P-A	1/27/1999
*L-7713-20-T-M	Modification: Bucksport Energy Project, Revisions	7/22/1999
*L-7713-20-U-C	Condition Compliance, Special Condition #3	7/21/1999
*L-7713-20-V-C	Condition Compliance, Condition #5	6/20/2000
*L-7713-20-W-M	Modification: Chip Handling Facility	7/7/2004
*L-7713-20-W-M	Modification: Chip Handling Facility (Corrected)	8/5/2004
L-7713-20-X-M	Modification: Construct Log Processing Bldg And Storage Yards	7/12/2005